

FLINT HOUSING COMMISSION
FLINT, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Flint Housing Commission	County
Fiscal Year End June 30, 2006	Opinion Date February 7, 2007	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

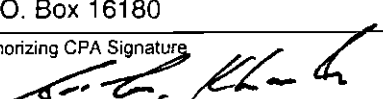
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Sailor, Khan & Co., LLC		Telephone Number 314-726-3308	
Street Address P.O. Box 16180		City St. Louis	State MO
Authorizing CPA Signature 		Printed Name Shah I Khan	Zip 63117
		License Number 1102001772	

FLINT HOUSING COMMISSION
Flint, Michigan

TABLE OF CONTENTS

JUNE 30, 2006

	<u>Page</u>
Independent Auditor's Report	i-ii
Management's Discussion and Analysis (unaudited)	iii-vii
Basic Financial Statements:	
Statement of Net Assets	1-2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4-5
Notes to Basic Financial Statements	6-16
SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	17-20
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets By Program	21-24
Combining Statement of Cash Flows By Program	25-28
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	29
PHA's Statement and Certification of Capital Fund Program Costs	30-33
Financial Data Schedule	34-42
REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	45-46
Status of Prior Audit Findings	47
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor Results	48
Section II - Financial Statement Findings	49-65
Section III - Federal Awards Findings	66-69

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Flint Housing Commission
Flint, Michigan

We have audited the accompanying basic financial statements of the Flint Housing Commission, Michigan, (Commission) as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

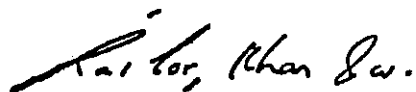
Because of the weak condition of the Commission's records due to lack of controls over its accounting system and supporting documentation, the integrity of certain receivable, accounts payable and equipment accounts in the financial statements appears to be questionable. In addition, we were unable to adequately validate these financial accounts through the use of alternative procedures.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to adequately determine the validity of certain account balances, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Flint Housing Commission, Michigan, as of June 30, 2006, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the matters discussed in the third paragraph, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to adequately determine the validity of certain account balances, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co. LLC

February 7, 2007

Flint Housing Commission

Management's Discussion and Analysis (MD&A)

June 30, 2006

(Unaudited)

The Flint Housing Commission's management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position (its ability to address the next and subsequent fiscal year challenges), and (d) identify individual fund issues of concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Commission's financial statements.

FINANCIAL HIGHLIGHTS

- The term "net assets" refers to the difference between assets and liabilities. Net Assets were \$24,398,032 in 2006, compared to \$25,503,872 in 2005, a decrease of \$1,105,840 or 4.3%.
- Revenues and contributions were \$11,247,982 for the year ended June 30, 2006, a decrease of \$1,597,693 or 12.4% from the prior year.
- The expenses were \$12,415,483 for the year ended June 30, 2006, a decrease of \$373,957 or 2.9% from the prior year.
- HUD operating grants were \$8,749,982 for the year ended June 30, 2006. This was a decrease of \$551,888 or 5.9% from the prior year. Capital contributions for the Authority were \$1,041,452 for the year ended June 30, 2006. This was a decrease of \$975,773 or 48.4% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

Flint Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in the cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2005 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

The Statement of Net Assets includes all assets and liabilities of the Commission using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects the condensed Statement of Net Assets compared to the prior year.

CONDENSED STATEMENTS OF NET ASSETS
JUNE 30

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 3,577,965	\$ 3,301,826	\$ 276,139	8.4%
Capital assets	<u>22,766,505</u>	<u>24,195,072</u>	<u>(1,428,567)</u>	-5.9%
Total Assets	<u>26,344,470</u>	<u>27,496,898</u>	<u>(1,152,428)</u>	-4.2%
Current liabilities	1,099,587	1,019,721	79,866	7.8%
Noncurrent liabilities	<u>846,851</u>	<u>973,305</u>	<u>(126,454)</u>	-13.0%
Total Liabilities	<u>1,946,438</u>	<u>1,993,026</u>	<u>(46,588)</u>	-2.3%
Net Assets				
Invested in capital assets	22,766,505	24,195,072	(1,428,567)	-5.9%
Unrestricted	<u>1,631,527</u>	<u>1,308,800</u>	<u>322,727</u>	24.7%
Total Net Assets	<u>\$ 24,398,032</u>	<u>\$ 25,503,872</u>	<u>\$ (1,105,840)</u>	-4.3%

Flint Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

Major Functions Affecting the Net Assets

Total assets decreased by \$1,152,428 for 2006, while total liabilities decreased by \$46,588. The decrease in total assets was due to a decrease in capital assets of 1,428,567 and an increase in current and other assets of \$276,139. Current liabilities including accounts payable, accrued salaries and deferred revenues were increased by \$79,866 while non current liabilities decreased by \$126,454.

The following schedule compares the revenues and expenses for the current and previous fiscal year.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 1,296,685	\$ 1,368,765	(72,080)	-5.3%
HUD operating grants	8,749,982	9,301,870	(551,888)	-5.9%
Interest income	74,645	43,844	30,801	70.3%
Capital Contributions	1,041,452	2,017,225	(975,773)	-48.4%
Other income	85,218	106,153	(20,935)	-19.7%
Gain on sale of fixed assets	----	7,818	(7,818)	-100.0%
Total Revenues and Contributions	<u>11,247,982</u>	<u>12,845,675</u>	<u>(1,597,693)</u>	-12.4%
Expenses				
Personal services	2,710,635	2,768,609	(57,974)	-2.1%
Utilities	1,285,859	1,156,250	129,609	11.2%
Operations and maintenance	1,258,374	1,206,485	51,889	4.3%
Non routine maintenance	50,221	----	50,221	??
Insurance	368,439	306,112	62,327	20.4%
Payment in lieu of taxes	11,567	48,518	(36,951)	-76.2%
Other supplies and expenses	1,187,292	802,818	384,474	47.9%
Housing assistance payments	3,045,821	4,076,324	(1,030,503)	-25.3%
Special items	----	152,196	(152,196)	-100.0%
Depreciation	<u>2,497,275</u>	<u>2,272,128</u>	<u>225,147</u>	9.9%
Total Expenses	<u>12,415,483</u>	<u>12,789,440</u>	<u>(373,957)</u>	-2.9%
Change in net assets	(1,167,501)	56,235	(1,223,736)	
Beginning net assets	25,503,872	25,447,637	56,235	
Prior period adjustments	<u>61,661</u>	----	<u>61,661</u>	
Beginning net assets, adjusted	<u>25,565,533</u>	<u>25,447,637</u>	<u>117,896</u>	
Ending net assets	<u>\$ 24,398,032</u>	<u>\$ 25,503,872</u>	<u>\$ (1,105,840)</u>	

**Flint Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

FINANCIAL ANALYSIS (CONTINUED)

Major Factors Affecting the Statement of Revenue, Expenses and Change in Net Assets

Compared to the prior fiscal year, total revenues and contributions decreased by \$1,597,693 due to decreases in rental revenue, HUD operating grants, capital contributions and other income, which were slightly offset by a increase in interest income.

Compared with the prior fiscal year, total expenses decreased by \$373,957 due to decreases in housing assistance payments, personal services, payment in lieu of taxes and special items, which were partially offset by increases in utilities, operations and maintenance, non routine maintenance, insurance, other supplies and expenses and depreciation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The Commission's investment in capital assets, as of June 30, 2006 amounts to \$22,766,505 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
JUNE 30**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>
Land	\$ 2,242,445	\$ 2,242,445	\$ -----
Building	54,324,493	54,324,493	-----
Furniture, equipment and machinery- administration	927,476	689,556	237,920
Leasehold improvements	15,117,186	13,297,047	1,820,139
Construction in progress	<u>3,599,576</u>	<u>4,573,277</u>	<u>(973,701)</u>
	76,211,176	75,126,818	1,084,358
Accumulated depreciation	<u>53,444,671</u>	<u>50,931,746</u>	<u>2,512,925</u>
Total	<u>\$ 22,766,505</u>	<u>\$ 24,195,072</u>	<u>\$ (1,428,567)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$1,428,567 or 5.9% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$1,068,708 for the year. The Authority has \$2,120,408 available to draw down and spend in the future.

Debt Outstanding - As of June 30, 2006, the Commission has a balance of \$910,000 owed to the City of Flint.

Flint Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

ECONOMIC FACTORS

Significant economic factors affecting the Commission are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recession and employment trends, which can affect resident income and therefore the amount of housing assistance.
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL CONTACT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Commission's finances, and to show the Housing Commission's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Sylvia Campbell, Finance Director for The Flint Housing Commission, at (810) 736-3111. Specific requests may be submitted to the Commission at 3820 Richfield Rd., Flint, MI 48506

FLINT HOUSING COMMISSION

Flint, Michigan

STATEMENT OF NET ASSETS

June 30, 2006

ASSETS

Current Assets:

Cash and cash equivalents	\$ 2,880,880.82
Investments	42,290.92
Receivable - net of allowances:	
Accounts	346,187.57
Inventory - net of allowances	173,152.60
Prepaid expenses	<u>135,453.55</u>
Total Current Assets	<u>3,577,965.46</u>

Noncurrent Assets:

Capital assets:

Land, improvements, and construction in progress	5,842,020.96
Other capital assets, net of depreciation	<u>16,924,484.04</u>
Total capital assets- net	<u>22,766,505.00</u>
Total Noncurrent Assets	<u>22,766,505.00</u>
Total Assets	<u>\$ 26,344,470.46</u>

See notes to financial statements

FLINT HOUSING COMMISSION

Flint, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2006

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 808,577.99
Accrued salaries, wages and benefits	94,241.63
Accrued compensated absences	8,549.00
Tenant security deposit liability	166,638.74
Deferred revenues	<u>21,579.62</u>
Total Current Liabilities	<u>1,099,586.98</u>

Noncurrent Liabilities:

Accrued compensated absences	66,851.47
Amount due to- other government	<u>780,000.00</u>
Total Noncurrent Liabilities	<u>846,851.47</u>

Total Liabilities	<u>1,946,438.45</u>
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NET ASSETS

Invested in capital assets	22,766,505.00
Unrestricted	<u>1,631,527.01</u>
Total Net Assets	<u>24,398,032.01</u>
Total Liabilities and Net Assets	<u>\$ 26,344,470.46</u>

See notes to financial statements

FLINT HOUSING COMMISSION

Flint, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended June 30, 2006

Operating Revenues:

Rental revenue	\$ 1,296,685.65
Operating subsidies- HUD grants	8,749,981.84
Other revenues	<u>85,218.25</u>
Total operating revenues	<u>10,131,885.74</u>

Operating Expenses:

Personal services	2,710,635.45
Utilities	1,285,859.39
Operations and maintenance	1,258,373.75
Non routine maintenance	50,220.58
Insurance	368,439.35
Payment in lieu of taxes	11,566.98
Other supplies and expenses	1,187,292.25
Housing assistance payments	3,045,821.15
Depreciation	<u>2,497,275.24</u>
Total operating expenses	<u>12,415,484.14</u>
Operating income (loss)	<u>(2,283,598.40)</u>

Non-operating revenues (expenses):

Interest and investment earnings	<u>74,644.75</u>
Net non-operating revenues (expenses)	<u>74,644.75</u>

Income (loss) before other revenues, expenses, gains, losses and transfers	(2,208,953.65)
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Capital contributions	<u>1,041,452.23</u>
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Change in net assets	(1,167,501.42)
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Net assets at beginning of year	25,503,871.97
Prior period error corrections	<u>61,661.46</u>

Net assets adjusted at beginning of year	<u>25,565,533.43</u>
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Net assets at end of year	<u>\$ 24,398,032.01</u>
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See notes to financial statements

FLINT HOUSING COMMISSION

Flint, Michigan

STATEMENT OF CASH FLOWS

For Year Ended June 30, 2006

Cash flows from operating activities:

Cash received from tenants	\$ 1,281,584.58
Cash received from HUD grants- operating	9,103,448.66
Cash received from other operating activities	78,603.08
Cash payments for goods and services	(6,983,532.89)
Cash payments to employees-salaries	(2,096,307.02)
Cash payments to employees-compensated absences	12,725.44
Cash payments for employee benefit contributions	(622,373.51)
Cash payments for in lieu of property taxes	<u>(51,986.58)</u>

Net cash provided (used) by operating activities	<u>722,161.76</u>
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Cash flows from capital and related financing activities:

Capital contributions	1,534,782.84
Proceeds from sale of assets	39,117.91
Payments to other governments	(130,000.00)
Payments for capital assets	<u>(1,206,573.72)</u>

Net cash (used) for capital and related financing activities	<u>237,327.03</u>
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Cash flows from investing activities:

Proceeds from sale of (payments) for investments	41,378.67
Interest and dividends	74,644.75
Receipts (payments) from tenant security deposits	<u>6,812.15</u>

Net cash provided (used) from investing activities	<u>122,835.57</u>
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Net increase (decrease) in cash and cash equivalents	1,082,324.36
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Cash and cash equivalents at beginning of year	<u>1,798,556.46</u>
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Cash and cash equivalents at end of year	<u><u>\$ 2,880,880.82</u></u>
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Noncash Investing, Capital and Financing Activities:

Acquisition of capital assets on account	<u><u>\$ 23,185.09</u></u>
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See notes to financial statements

FLINT HOUSING COMMISSION

Flint, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended June 30, 2006

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$ (2,283,598.40)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	2,497,275.24
Allowance for doubtful accounts	(5,029.77)
Allowance for inventory	7,145.43
Changes in assets and liabilities:	
Receivables	350,263.37
Inventory	(51,519.31)
Prepaid expenses	(6,840.84)
Accounts and other payables	225,189.09
Deferred revenues	(15,403.41)
Compensated absences	924.39
Accrued expenses	<u>3,755.97</u>
Net cash provided (used) by operating activities	\$ <u><u>722,161.76</u></u>

See notes to financial statements

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - Summary of Significant Accounting Policies

The Flint Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
HOME Investment Partnership Program	The funding for this program passes through the City of Flint, Michigan. The HOME Investment Partnership Program funds a wide range of activities that provides affordable housing for direct rental assistance to low-income people.
State and Local	State and Local programs are grants received from various state and local agency to provide training and education for low income housing recipients.

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$2,500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 - 40	years
Furniture, equipment and machinery - administration	5 - 7	years
Leasehold improvements	10	years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
HOME Investment Partnership Program	U.S. Department of Housing and Urban Development
State and Local	and the City of Flint, Michigan Public Housing Agency

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
State & Local Program	Summer youth arts & Beautification activities
Capital Fund Program	Modernization

For the year ended June 30, 2006, the Commission complied, in all material respects, with these revenue restrictions.

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it or the Commission will not be able to recover collateral securities in the possession of an outside party. As of June 30, 2006, the Commission's bank balances of \$3,087,941.92, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Commission's name.

Investments

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006, the Commission's investments were \$42,290.92. These investments were insured by federal depository insurance or registered, or securities held by the Commission or its agent in the Commission's name.

Credit Risk Investments, Concentrations of Credit Risk and Interest Rate Risk - Investments:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission will minimize credit risk by reviewing the financial institutions with which the Commission will do business so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has chosen longer term investments due to current favorable rates. Longer terms will minimize the adverse effect of possible future declining rates.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission does not have a written investment policy covering concentration of credit risk.

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3b. Accounts Receivable

Receivables detail at June 30, 2006, is as follows:

Tenant accounts receivable	\$ 39,726.08
Allowance for doubtful accounts	<u>(19,984.28)</u>
Tenants accounts receivable - net	19,741.80
Accounts receivable - HUD	<u>326,445.77</u>
	<u>\$ 346,187.57</u>

3c. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Transfers in (out)</u>	<u>Balance June 30, 2006</u>
Land	\$ 2,242,445.00	\$ ----	\$ ----	\$ ----	\$ 2,242,445.00
Building	54,324,492.74	----	----	----	54,324,492.74
Furniture, equipment and machinery- administration	689,556.13	266,331.34	(28,411.91)	0.24	927,475.80
Leasehold improvements	13,297,047.40	----	----	1,820,139.00	15,117,186.40
Construction in progress	<u>4,573,276.95</u>	<u>846,438.25</u>	<u>----</u>	<u>(1,820,139.24)</u>	<u>3,599,575.96</u>
	75,126,818.22	<u>\$ 1,112,769.59</u>	<u>\$ (28,411.91)</u>	<u>\$ ----</u>	76,211,175.90
Accumulated depreciation	<u>50,931,746.33</u>	<u>\$ 2,512,924.57</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>53,444,670.90</u>
Total	<u>\$ 24,195,071.89</u>				<u>\$ 22,766,505.00</u>

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3d. Accounts Payable

Payable detail at June 30, 2006, is as follows:

Accounts payable - vendors	\$ 604,712.76
Accounts payable - HUD	1,920.39
Accounts payable - other government	141,001.00
Accounts payable - other government - PILOT	<u>60,943.84</u>
	<u>\$ 808,577.99</u>

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at June 30, 2006 is \$75,400.47.

3f. Non-current Liabilities

As of June 30, 2006, the non-current liabilities are comprised of the following:

Amount due to - other government	\$ 780,000.00
Accrued compensated absences - non current portion	<u>66,851.47</u>
Total	<u>\$ 846,851.47</u>

The following is a summary of changes in non-current liabilities for the year ended June 30, 2006:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due within One Year</u>
Amount due to-other government	\$ 910,000.00	\$ ----	\$ 130,000.00	\$ 780,000.00	\$ ----
Accrued compensated absences	<u>63,305.08</u>	<u>3,546.39</u>	<u>----</u>	<u>66,851.47</u>	<u>8,549.00</u>
Total	<u>\$ 973,305.08</u>	<u>\$ 3,546.39</u>	<u>\$ 130,000.00</u>	<u>\$ 846,851.47</u>	<u>\$ 8,549.00</u>

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3g. Interprogram Transactions and Balances

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent	\$ 533,225.05
Housing Choice Vouchers	(305,996.94)
Capital Fund Program	(238,229.11)
HOME Investment Partnership Program	<u>11,001.00</u>
Total	\$ <u>-----</u>

3h. Amount Due - Other Government

The Housing Commission and the City of Flint entered into an agreement in January, 2003, whereby the Housing Commission will pay the City of Flint for unpaid employee wages and benefits for fiscal years 2000, 2001 and 2002 in the amount of \$1,580,964.70 in equal annual interest free installments of \$130,000.00 each July 1 for the next 9 years. Of the total amount of \$910,000.00 outstanding at June 30, 2006, the amount of \$130,000.00 is included as accounts payable short- term and \$780,000.00 is reported under amount due to other government - non current - liability.

3i. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Accounts receivable - HUD - correct accounts receivable	\$ 22,543.46
2. Accumulated depreciation - correct prior year accumulated depreciation	(4,943.33)
3. Furniture, equipment & machinery - administration - correct prior year	<u>44,061.33</u>
Totals	\$ <u>61,661.46</u>

NOTE 4 - Other Notes

4a. Employee Retirement Plan

The Commission does not provide a defined contribution plan for it's employees.

FLINT HOUSING COMMISSION

Flint, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Retention Group.
b. Injuries to employees (workers' compensation)	Purchased insurance with American International Companies; Claims are administered by American International Companies.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$25,000.00 deductibles.
d. Health and life	Purchased health insurance with M-care; Life insurance is provided by Principle Life Insurance Company

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Commitments and Contingencies

Commitments—Construction

At June 30, 2006, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-04	\$ 2,120,410.00	\$ 1,417,730.77
CFP 501-05	<u>2,049,809.00</u>	<u>632,080.25</u>
	<u>\$ 4,170,219.00</u>	<u>\$ 2,049,811.02</u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

FLINT HOUSING COMMISSION

Flint, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

June 30, 2006

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>	<u>Capital Fund Program</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,668,903.31	\$ 1,211,977.51	\$ -----
Investments	42,290.92	-----	-----
Receivable - net of allowances:			
Accounts	84,773.37	-----	261,414.20
Due from (to) interprogram	533,225.05	(305,996.94)	(238,229.11)
Inventory - net of allowances	173,152.60	-----	-----
Prepaid expenses	<u>135,453.55</u>	<u>-----</u>	<u>-----</u>
Total Current Assets	<u>2,637,798.80</u>	<u>905,980.57</u>	<u>23,185.09</u>
Noncurrent Assets:			
Capital assets:			
Land, improvements, and construction in progress	2,242,445.00	-----	3,599,575.96
Other capital assets, net of depreciation	<u>16,746,390.14</u>	<u>-----</u>	<u>178,093.90</u>
Total capital assets- net	<u>18,988,835.14</u>	<u>-----</u>	<u>3,777,669.86</u>
Total Noncurrent Assets	<u>18,988,835.14</u>	<u>-----</u>	<u>3,777,669.86</u>
Total Assets	<u>\$ 21,626,633.94</u>	<u>\$ 905,980.57</u>	<u>\$ 3,800,854.95</u>

FLINT HOUSING COMMISSION

Flint, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

June 30, 2006

	Low Rent Program	Housing Choice Vouchers	Capital Fund Program
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 772,255.94	\$ 2,135.96	\$ 23,185.09
Accrued salaries, wages and benefits	84,960.58	9,281.05	-----
Accrued compensated absences	6,375.00	2,174.00	-----
Tenant security deposit liability	166,638.74	-----	-----
Deferred revenues	<u>21,579.62</u>	<u>-----</u>	<u>-----</u>
Total Current Liabilities	<u>1,051,809.88</u>	<u>13,591.01</u>	<u>23,185.09</u>
Noncurrent Liabilities:			
Accrued compensated absences	57,378.72	9,472.75	-----
Amount due to- other government	<u>780,000.00</u>	<u>-----</u>	<u>-----</u>
Total Noncurrent Liabilities	<u>837,378.72</u>	<u>9,472.75</u>	<u>-----</u>
Total Liabilities	<u>1,889,188.60</u>	<u>23,063.76</u>	<u>23,185.09</u>
NET ASSETS			
Invested in capital assets	18,988,835.14	-----	3,777,669.86
Unrestricted	<u>748,610.20</u>	<u>882,916.81</u>	<u>-----</u>
Total Net Assets	<u>19,737,445.34</u>	<u>882,916.81</u>	<u>3,777,669.86</u>
Total Liabilities and Net Assets	<u>\$ 21,626,633.94</u>	<u>\$ 905,980.57</u>	<u>\$ 3,800,854.95</u>

FLINT HOUSING COMMISSION

Flint, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

June 30, 2006

	HOME Investment Partnership Program	State and Local	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ ----	\$ ----	\$ 2,880,880.82
Investments	----	----	42,290.92
Receivable - net of allowances:			
Accounts	----	----	346,187.57
Due from (to) interprogram	11,001.00	----	----
Inventory - net of allowances	----	----	173,152.60
Prepaid expenses	----	----	135,453.55
	<u>11,001.00</u>	<u>----</u>	<u>3,577,965.46</u>
Total Current Assets			
	<u>11,001.00</u>	<u>----</u>	<u>3,577,965.46</u>
Noncurrent Assets:			
Capital assets:			
Land, improvements, and construction in progress	----	----	5,842,020.96
Other capital assets, net of depreciation	----	----	16,924,484.04
	<u>----</u>	<u>----</u>	<u>22,766,505.00</u>
Total capital assets- net			
	<u>----</u>	<u>----</u>	<u>22,766,505.00</u>
Total Noncurrent Assets			
	<u>----</u>	<u>----</u>	<u>22,766,505.00</u>
Total Assets	\$ <u>11,001.00</u>	\$ <u>----</u>	\$ <u>26,344,470.46</u>

FLINT HOUSING COMMISSION

Flint, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

June 30, 2006

	HOME Investment Partnership Program	State and Local	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 11,001.00	\$ ----	\$ 808,577.99
Accrued salaries, wages and benefits	----	----	94,241.63
Accrued compensated absences	----	----	8,549.00
Tenant security deposit liability	----	----	166,638.74
Deferred revenues	----	----	21,579.62
Total Current Liabilities	<u>11,001.00</u>	<u>----</u>	<u>1,099,586.98</u>
Noncurrent Liabilities:			
Accrued compensated absences	----	----	66,851.47
Amount due to- other government	----	----	780,000.00
Total Noncurrent Liabilities	<u>----</u>	<u>----</u>	<u>846,851.47</u>
Total Liabilities	<u>11,001.00</u>	<u>----</u>	<u>1,946,438.45</u>
NET ASSETS			
Invested in capital assets	----	----	22,766,505.00
Unrestricted	----	----	1,631,527.01
Total Net Assets	<u>----</u>	<u>----</u>	<u>24,398,032.01</u>
Total Liabilities and Net Assets	<u>\$ 11,001.00</u>	<u>\$ ----</u>	<u>\$ 26,344,470.46</u>

FLINT HOUSING COMMISSION

Flint, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM**

For Year Ended June 30, 2006

	Low Rent Program	Housing Choice Vouchers	Capital Fund Program
Operating Revenues:			
Rental revenue	\$ 1,296,685.65	\$ -----	\$ -----
Operating subsidies- HUD grants	3,795,378.97	3,811,699.00	1,011,575.87
Other revenues	<u>76,052.32</u>	<u>2,550.76</u>	<u>-----</u>
Total operating revenues	<u>5,168,116.94</u>	<u>3,814,249.76</u>	<u>1,011,575.87</u>
Operating Expenses:			
Personal services	2,320,270.92	263,752.48	126,612.05
Utilities	1,285,859.39	-----	-----
Operations and maintenance	714,901.70	215.96	543,256.09
Non routine maintenance	50,220.58	-----	-----
Insurance	366,285.53	2,153.82	-----
Payment in lieu of taxes	11,566.98	-----	-----
Other supplies and expenses	748,453.15	90,516.20	341,707.73
Housing assistance payments	-----	2,914,493.15	-----
Depreciation	<u>2,444,796.89</u>	<u>-----</u>	<u>52,478.35</u>
Total operating expenses	<u>7,942,355.14</u>	<u>3,271,131.61</u>	<u>1,064,054.22</u>
Operating income (loss)	<u>(2,774,238.20)</u>	<u>543,118.15</u>	<u>(52,478.35)</u>
Non-operating revenues (expenses):			
Interest and investment earnings	<u>58,301.32</u>	<u>16,343.43</u>	<u>-----</u>
Net non-operating revenues (expenses)	<u>58,301.32</u>	<u>16,343.43</u>	<u>-----</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(2,715,936.88)	559,461.58	(52,478.35)

FLINT HOUSING COMMISSION

Flint, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended June 30, 2006

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>	<u>Capital Fund Program</u>
Capital contributions	<u>-----</u>	<u>-----</u>	<u>1,041,452.23</u>
Change in net assets	(2,715,936.88)	559,461.58	988,973.88
Net assets at beginning of year	20,552,025.18	323,455.23	4,628,391.56
Prior period error corrections	<u>61,661.46</u>	<u>-----</u>	<u>-----</u>
Net assets adjusted at beginning of year	20,613,686.64	323,455.23	4,628,391.56
Equity transfers	<u>1,839,695.58</u>	<u>-----</u>	<u>(1,839,695.58)</u>
Net assets at end of year	<u>\$ 19,737,445.34</u>	<u>\$ 882,916.81</u>	<u>\$ 3,777,669.86</u>

FLINT HOUSING COMMISSION

Flint, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended June 30, 2006

	HOME Investment Partnership Program	State and Local	Totals
Operating Revenues:			
Rental revenue	\$ -----	\$ -----	\$ 1,296,685.65
Operating subsidies- HUD grants	131,328.00	-----	8,749,981.84
Other revenues	-----	6,615.17	85,218.25
	<u>131,328.00</u>	<u>6,615.17</u>	<u>10,131,885.74</u>
Total operating revenues			
Operating Expenses:			
Personal services	-----	-----	2,710,635.45
Utilities	-----	-----	1,285,859.39
Operations and maintenance	-----	-----	1,258,373.75
Non routine maintenance	-----	-----	50,220.58
Insurance	-----	-----	368,439.35
Payment in lieu of taxes	-----	-----	11,566.98
Other supplies and expenses	-----	6,615.17	1,187,292.25
Housing assistance payments	131,328.00	-----	3,045,821.15
Depreciation	-----	-----	2,497,275.24
	<u>131,328.00</u>	<u>6,615.17</u>	<u>12,415,484.14</u>
Total operating expenses			
Operating income (loss)	<u>-----</u>	<u>-----</u>	<u>(2,283,598.40)</u>
Non-operating revenues (expenses):			
Interest and investment earnings	<u>-----</u>	<u>-----</u>	<u>74,644.75</u>
Net non-operating revenues (expenses)	<u>-----</u>	<u>-----</u>	<u>74,644.75</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	-----	-----	(2,208,953.65)

FLINT HOUSING COMMISSION

Flint, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended June 30, 2006

	HOME Investment Partnership Program	State and Local	Totals
Capital contributions	-----	-----	1,041,452.23
Change in net assets	-----	-----	(1,167,501.42)
Net assets at beginning of year	-----	-----	25,503,871.97
Prior period error corrections	-----	-----	61,661.46
Net assets adjusted at beginning of year	-----	-----	25,565,533.43
Net assets at end of year	\$ -----	\$ -----	\$ 24,398,032.01

FLINT HOUSING COMMISSION

Flint, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended June 30, 2006

	Low Rent Program	Housing Choice Vouchers	Capital Fund Program
Cash flows from operating activities:			
Cash received from tenants	\$ 1,281,584.58	\$ -----	\$ -----
Cash received from HUD grants- operating	3,730,347.40	4,118,212.39	1,011,575.87
Cash received from other operating activities	76,052.32	2,550.76	-----
Cash payments for goods and services	(2,963,372.32)	(3,008,254.58)	(884,963.82)
Cash payments to employees-salaries	(1,758,860.91)	(218,351.46)	(119,094.65)
Cash payments to employees-compensated absences	9,854.94	2,870.50	-----
Cash payments for employee benefit contributions	(569,212.24)	(45,643.87)	(7,517.40)
Cash payments for in lieu of property taxes	<u>(51,986.58)</u>	<u>-----</u>	<u>-----</u>
Net cash provided (used) by operating activities	<u>(245,592.81)</u>	<u>851,383.74</u>	<u>-----</u>
Cash flows from noncapital financing activities:			
Receipts (payments) from interprograms	<u>112,880.38</u>	<u>3,490.45</u>	<u>-----</u>
Net cash provided (used) from non capital financing activities	<u>112,880.38</u>	<u>3,490.45</u>	<u>-----</u>
Cash flows from capital and related financing activities:			
Capital contributions	-----	-----	1,534,782.84
Receipts (payments) from interprograms	355,465.15	-----	(355,465.15)
Proceeds from sale of assets	39,117.91	-----	-----
Payments to other governments	(130,000.00)	-----	-----
Payments for capital assets	<u>(27,256.03)</u>	<u>-----</u>	<u>(1,179,317.69)</u>
Net cash (used) for capital and related financing activities	<u>237,327.03</u>	<u>-----</u>	<u>-----</u>
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	41,378.67	-----	-----
Interest and dividends	58,301.32	16,343.43	-----
Receipts (payments) from tenant security deposits	<u>6,812.15</u>	<u>-----</u>	<u>-----</u>
Net cash provided (used) from investing activities	<u>106,492.14</u>	<u>16,343.43</u>	<u>-----</u>
Net increase (decrease) in cash and cash equivalents	211,106.74	871,217.62	-----
Cash and cash equivalents at beginning of year	<u>1,457,796.57</u>	<u>340,759.89</u>	<u>-----</u>
Cash and cash equivalents at end of year	\$ <u>1,668,903.31</u>	\$ <u>1,211,977.51</u>	\$ <u>-----</u>

FLINT HOUSING COMMISSION

Flint, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended June 30, 2006

	Low Rent Program	Housing Choice Vouchers	Capital Fund Program
Noncash Investing, Capital and Financing Activities:			
Acquisition of capital assets on account	\$ -----	\$ -----	\$ 23,185.09
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (2,774,238.20)	\$ 543,118.15	\$ (52,478.35)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	2,444,796.89	----	52,478.35
Allowance for doubtful accounts	(5,029.77)	----	----
Allowance for inventory	7,145.43	----	----
Changes in assets and liabilities:			
Receivables	(66,314.63)	304,593.00	----
Inventory	(51,519.31)	----	----
Prepaid expenses	(6,840.84)	----	----
Accounts and other payables	213,143.15	1,044.94	----
Deferred revenues	(8,788.24)	----	----
Compensated absences	(1,946.11)	2,870.50	----
Accrued expenses	3,998.82	(242.85)	----
Net cash provided (used) by operating activities	\$ (245,592.81)	\$ 851,383.74	\$ -----

FLINT HOUSING COMMISSION

Flint, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended June 30, 2006

	HOME Investment Partnership Program	State and Local	Totals
Cash flows from operating activities:			
Cash received from tenants	\$ -----	\$ -----	\$ 1,281,584.58
Cash received from HUD grants- operating -	243,313.00	-----	9,103,448.66
Cash received from other operating activities	-----	-----	78,603.08
Cash payments for goods and services	(120,327.00)	(6,615.17)	(6,983,532.89)
Cash payments to employees-salaries	-----	-----	(2,096,307.02)
Cash payments to employees-compensated absences	-----	-----	12,725.44
Cash payments for employee benefit contributions	-----	-----	(622,373.51)
Cash payments for in lieu of property taxes	-----	-----	(51,986.58)
Net cash provided (used) by operating activities	<u>122,986.00</u>	<u>(6,615.17)</u>	<u>722,161.76</u>
Cash flows from noncapital financing activities:			
Receipts (payments) from interprograms	<u>(122,986.00)</u>	<u>6,615.17</u>	<u>-----</u>
Net cash provided (used) from non capital financing activities	<u>(122,986.00)</u>	<u>6,615.17</u>	<u>-----</u>
Cash flows from capital and related financing activities:			
Capital contributions	-----	-----	1,534,782.84
Proceeds from sale of assets	-----	-----	39,117.91
Payments to other governments	-----	-----	(130,000.00)
Payments for capital assets	<u>-----</u>	<u>-----</u>	<u>(1,206,573.72)</u>
Net cash (used) for capital and related financing activities	<u>-----</u>	<u>-----</u>	<u>237,327.03</u>
Cash flows from investing activities:			
Proceeds from sale of (payments) for investments	-----	-----	41,378.67
Interest and dividends	-----	-----	74,644.75
Receipts (payments) from tenant security deposits	<u>-----</u>	<u>-----</u>	<u>6,812.15</u>
Net cash provided (used) from investing activities	<u>-----</u>	<u>-----</u>	<u>122,835.57</u>

FLINT HOUSING COMMISSION

Flint, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended June 30, 2006

	HOME Investment Partnership Program	State and Local	Totals
Net increase (decrease) in cash and cash equivalents	----	----	1,082,324.36
Cash and cash equivalents at beginning of year	----	----	1,798,556.46
Cash and cash equivalents at end of year	\$ <u>-----</u>	\$ <u>-----</u>	\$ <u>2,880,880.82</u>
Noncash Investing, Capital and Financing Activities:			
Acquisition of capital assets on account	\$ <u>-----</u>	\$ <u>-----</u>	\$ <u>23,185.09</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ -----	\$ -----	\$ (2,283,598.40)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	----	----	2,497,275.24
Allowance for doubtful accounts	----	----	(5,029.77)
Allowance for inventory	----	----	7,145.43
Changes in assets and liabilities:			
Receivables	111,985.00	----	350,263.37
Inventory	----	----	(51,519.31)
Prepaid expenses	----	----	(6,840.84)
Accounts and other payables	11,001.00	----	225,189.09
Deferred revenues	----	(6,615.17)	(15,403.41)
Compensated absences	----	----	924.39
Accrued expenses	----	----	3,755.97
Net cash provided (used) by operating activities	\$ <u>122,986.00</u>	\$ <u>(6,615.17)</u>	\$ <u>722,161.76</u>

FLINT HOUSING COMMISSION

Flint, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended June 30, 2006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
2006	Public and Indian Housing <u>Nonmajor - Indirect Program</u> (Pass through the City of Flint) HOME Investment Partnership program	14.239	\$ <u>131,328.00</u>
2006	Public and Indian Housing <u>Major - Direct Program</u> Low Rent Program	14.850a	\$ <u>3,795,378.97</u>
2006	Low Income Public Housing <u>Major - Direct Program</u> Housing Choice Vouchers	14.871	\$ <u>3,811,699.00</u>
2006	Public and Indian Housing <u>Major - Direct Program</u> Capital Fund program	14.872	\$ <u>2,053,028.10</u>
	Total		\$ <u>9,791,434.07</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

FLINT HOUSING COMMISSION

Flint, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

June 30, 2006

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-01</u>
Funds approved	\$ 2,455,852.00
Funds expended	<u>2,455,852.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 2,455,852.00
Funds expended	<u>2,455,852.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated July 18, 2005 submitted to HUD for approval is in agreement with the PHA's records as of June 30, 2006.
3. All costs have been paid and all related liabilities have been discharged through payments.

FLINT HOUSING COMMISSION

Flint, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

June 30, 2006

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-02</u>
Funds approved	\$ 2,333,960.00
Funds expended	<u>2,333,960.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 2,333,960.00
Funds expended	<u>2,333,960.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated February 2, 2006 submitted to HUD for approval is in agreement with the PHA's records as of June 30, 2006.
3. All costs have been paid and all related liabilities have been discharged through payments.

FLINT HOUSING COMMISSION

Flint, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

June 30, 2006

- I. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-03</u>
Funds approved	\$ 1,812,033.00
Funds expended	<u>1,812,033.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 1,812,033.00
Funds expended	<u>1,812,033.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated March 7, 2006 submitted to HUD for approval is in agreement with the PHA's records as of June 30, 2006.
3. All costs have been paid and all related liabilities have been discharged through payments.

FLINT HOUSING COMMISSION

Flint, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

June 30, 2006

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 502-03</u>
Funds approved	\$ 382,718.00
Funds expended	<u>382,718.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 382,718.00
Funds expended	<u>382,718.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated January 4, 2006 submitted to HUD for approval is in agreement with the PHA's records as of June 30, 2006.
3. All costs have been paid and all related liabilities have been discharged through payments.

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2006

FDS Line Item No.	Low Rent Program 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872
Assets:			
Current Assets:			
Cash			
111 Cash-unrestricted	\$ 1,668,903.31	\$ 1,211,977.51	\$ -----
100 Total cash	<u>1,668,903.31</u>	<u>1,211,977.51</u>	<u>-----</u>
Accounts and notes receivable:			
122 Accounts receivable-HUD	65,031.57	-----	261,414.20
126 Accounts receivable- tenants-dwelling rents	39,726.08	-----	-----
126.1 Allowance for doubtful accounts-dwelling rents	<u>(19,984.28)</u>	<u>-----</u>	<u>-----</u>
120 Total receivables, net of allowance for doubtful accounts	<u>84,773.37</u>	<u>-----</u>	<u>261,414.20</u>
Current investments:			
131 Investments-unrestricted	42,290.92	-----	-----
142 Prepaid expenses and other assets	135,453.55	-----	-----
143 Inventories	194,606.78	-----	-----
143.1 Allowance for obsolete inventories	(21,454.18)	-----	-----
144/ (347) Interprogram due from	<u>533,225.05</u>	<u>(305,996.94)</u>	<u>(238,229.11)</u>
150 Total current assets	<u>2,637,798.80</u>	<u>905,980.57</u>	<u>23,185.09</u>
Noncurrent Assets:			
Fixed assets:			
161 Land	2,242,445.00	-----	-----
162 Buildings	54,324,492.74	-----	-----
164 Furniture, equipment and machinery- administration	663,490.19	15,741.24	248,244.37
165 Leasehold improvements	15,117,186.40	-----	-----
166 Accumulated depreciation	(53,358,779.19)	(15,741.24)	(70,150.47)
167 Construction in progress	<u>-----</u>	<u>-----</u>	<u>3,599,575.96</u>
160 Total fixed assets, net of accumulated depreciation	<u>18,988,835.14</u>	<u>-----</u>	<u>3,777,669.86</u>

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2006

FDS Line Item No.	Low Rent Program 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872
180 Total noncurrent assets	<u>18,988,835.14</u>	<u>-----</u>	<u>3,777,669.86</u>
190 Total Assets	<u>\$ 21,626,633.94</u>	<u>\$ 905,980.57</u>	<u>\$ 3,800,854.95</u>
Liabilities and Equity:			
Liabilities:			
Current Liabilities:			
312 Accounts payable < 90 days	\$ (581,312.10)	\$ (215.57)	\$ (23,185.09)
321 Accrued wage / payroll taxes payable	(84,960.58)	(9,281.05)	-----
322 Accrued compensated absences- current portion	(6,375.00)	(2,174.00)	-----
331 Accounts payable -HUD PHA programs	-----	(1,920.39)	-----
333 Accounts payable -other government	(190,943.84)	-----	-----
341 Tenant security deposits	(166,638.74)	-----	-----
342 Deferred revenues	<u>(21,579.62)</u>	<u>-----</u>	<u>-----</u>
310 Total current liabilities	<u>(1,051,809.88)</u>	<u>(13,591.01)</u>	<u>(23,185.09)</u>
Noncurrent Liabilities:			
353 Noncurrent liabilities-other	(780,000.00)	-----	-----
354 Accrued compensated absences- non current portion	<u>(57,378.72)</u>	<u>(9,472.75)</u>	<u>-----</u>
350 Total noncurrent liabilities	<u>(837,378.72)</u>	<u>(9,472.75)</u>	<u>-----</u>
300 Total Liabilities	<u>(1,889,188.60)</u>	<u>(23,063.76)</u>	<u>(23,185.09)</u>
Equity:			
508.1 Investment in capital assets , Net of Related Debt	<u>(18,988,835.14)</u>	<u>-----</u>	<u>(3,777,669.86)</u>
512.1 Unrestricted Net Assets	<u>(748,610.20)</u>	<u>(882,916.81)</u>	<u>-----</u>
600 Total Liabilities and Equity	<u>\$ (21,626,633.94)</u>	<u>\$ (905,980.57)</u>	<u>\$ (3,800,854.95)</u>

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2006

FDS Line Item No.	Low Rent Program 14.850a	Housing Choice Vouchers 14.871	Capital Fund Program 14.872
Revenue:			
703 Net rental revenue	\$ (1,401,832.59)	\$ -----	\$ -----
705 Total tenant revenue	(1,401,832.59)	-----	-----
706 HUD PHA operating grants	(3,795,378.97)	(3,811,699.00)	(1,011,575.87)
706.1 HUD PHA capital grants	-----	-----	(1,041,452.23)
711 Investment income-unrestricted	(58,301.32)	(16,343.43)	-----
714 Fraud recovery	-----	(1,920.42)	-----
715 Other revenue	(76,052.32)	(630.34)	-----
700 Total revenue	(5,331,565.20)	(3,830,593.19)	(2,053,028.10)
Expenses:			
Administrative			
911 Administrative salaries	1,037,719.00	218,108.61	119,094.65
912 Auditing fees	10,240.00	-----	-----
914 Compensated absences	(11,801.05)	-----	-----
915 Employee benefit contributions-administrative	333,739.17	45,643.87	7,517.40
916 Other operating-administrative	730,867.76	58,944.75	341,707.73
Tenant services			
921 Tenant services-salaries	36,735.14	-----	-----
923 Employee benefit contributions-tenant services	11,882.83	-----	-----
924 Tenant services-other	5,430.39	31,571.45	-----
Utilities			
931 Water	726,066.29	-----	-----
932 Electricity	325,477.03	-----	-----
933 Gas	234,316.07	-----	-----

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2006

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Housing Choice Vouchers <u>14.871</u>	Capital Fund Program <u>14.872</u>
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	688,405.59	----	----
942	Ordinary maintenance and operation-materials & other	338,982.42	----	83,683.27
943	Ordinary maintenance and operation-contract costs	353,346.45	----	----
945	Employee benefit contributions-ordinary maintenance	223,590.24	----	----
	Protective services			
952	Protective services-other contract costs	22,572.83	215.96	458,605.30
953	Protective services-other	----	----	967.52
	General expenses			
961	Insurance premiums	366,285.53	2,153.82	----
962	Other general expense	1,915.00	----	----
963	Payments in lieu of taxes	11,566.98	----	----
964	Bad debts- tenant rents	<u>105,146.94</u>	<u>----</u>	<u>----</u>
969	Total operating expenses	<u>5,552,484.61</u>	<u>356,638.46</u>	<u>1,011,575.87</u>
970	Excess (deficit) operating revenue over operating expenses	<u>(220,919.41)</u>	<u>3,473,954.73</u>	<u>1,041,452.23</u>
971	Extraordinary maintenance	50,220.58	----	----
973	Housing assistance payments	----	2,914,493.15	----
974	Depreciation expense	<u>2,444,796.89</u>	<u>----</u>	<u>52,478.35</u>
	Total expenses other than total operating	<u>2,495,017.47</u>	<u>2,914,493.15</u>	<u>52,478.35</u>
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	<u>(2,715,936.88)</u>	<u>559,461.58</u>	<u>988,973.88</u>
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	<u>\$ (2,715,936.88)</u>	<u>\$ 559,461.58</u>	<u>\$ 988,973.88</u>

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2006

FDS Line Item No.	HOME Investment Partnership Program 14.239	State and Local -	Total
Assets:			
Current Assets:			
Cash			
111 Cash-unrestricted	\$ -----	\$ -----	\$ 2,880,880.82
100 Total cash	-----	-----	2,880,880.82
Accounts and notes receivable:			
122 Accounts receivable-HUD	-----	-----	326,445.77
126 Accounts receivable- tenants-dwelling rents	-----	-----	39,726.08
126.1 Allowance for doubtful accounts-dwelling rents	-----	-----	(19,984.28)
120 Total receivables, net of allowance for doubtful accounts	-----	-----	346,187.57
Current investments:			
131 Investments-unrestricted	-----	-----	42,290.92
142 Prepaid expenses and other assets	-----	-----	135,453.55
143 Inventories	-----	-----	194,606.78
143.1 Allowance for obsolete inventories	-----	-----	(21,454.18)
144/ Interprogram due from (347)	11,001.00	-----	-----
150 Total current assets	11,001.00	-----	3,577,965.46

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2006

FDS Line Item No.		HOME Investment Partnership Program 14.239	State and Local -	Total
	Noncurrent Assets:			
	Fixed assets:			
161	Land	----	----	2,242,445.00
162	Buildings	----	----	54,324,492.74
164	Furniture, equipment and machinery- administration	----	----	927,475.80
165	Leasehold improvements	----	----	15,117,186.40
166	Accumulated depreciation	----	----	(53,444,670.90)
167	Construction in progress	----	----	3,599,575.96
160	Total fixed assets, net of accumulated depreciation	----	----	22,766,505.00
180	Total noncurrent assets	----	----	22,766,505.00
190	Total Assets	\$ 11,001.00	\$ -----	\$ 26,344,470.46
	Liabilities and Equity:			
	Liabilities:			
	Current Liabilities:			
312	Accounts payable < 90 days	\$ -----	\$ -----	\$ (604,712.76)
321	Accrued wage / payroll taxes payable	----	----	(94,241.63)
322	Accrued compensated absences- current portion	----	----	(8,549.00)
331	Accounts payable -HUD PHA programs	----	----	(1,920.39)
333	Accounts payable -other government	(11,001.00)	----	(201,944.84)
341	Tenant security deposits	----	----	(166,638.74)
342	Deferred revenues	----	----	(21,579.62)
310	Total current liabilities	(11,001.00)	----	(1,099,586.98)

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2006

FDS Line Item No.	HOME Investment Partnership Program I4.239	State and Local -	Total
Noncurrent Liabilities:			
353 Noncurrent liabilities-other	-----	-----	(780,000.00)
354 Accrued compensated absences- non current portion	-----	-----	(66,851.47)
350 Total noncurrent liabilities	-----	-----	(846,851.47)
300 Total liabilities	<u>(11,001.00)</u>	-----	<u>(1,946,438.45)</u>
Equity:			
508.1 Investment in capital assets , Net of Related Debt	-----	-----	(22,766,505.00)
512.1 Unrestricted Net Assets	-----	-----	(1,631,527.01)
600 Total Liabilities and Equity	<u>\$ (11,001.00)</u>	<u>\$ -----</u>	<u>\$ (26,344,470.46)</u>
Revenue:			
703 Net rental revenue	\$ -----	\$ -----	\$ (1,401,832.59)
705 Total tenant revenue	-----	-----	(1,401,832.59)
706 HUD PHA operating grants	(131,328.00)	-----	(8,749,981.84)
706.1 HUD PHA capital grants	-----	-----	(1,041,452.23)
711 Investment income-unrestricted	-----	-----	(74,644.75)
714 Fraud recovery	-----	-----	(1,920.42)
715 Other revenue	-----	(6,615.17)	(83,297.83)
700 Total revenue	<u>(131,328.00)</u>	<u>(6,615.17)</u>	<u>(11,353,129.66)</u>

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2006

FDS Line Item No.		HOME Investment Partnership Program 14.239	State and Local -	Total
	Expenses:			
	Administrative			
911	Administrative salaries	----	----	1,374,922.26
912	Auditing fees	----	----	10,240.00
914	Compensated absences	----	----	(11,801.05)
915	Employee benefit contributions-administrative	----	----	386,900.44
916	Other operating-administrative	----	----	1,131,520.24
	Tenant services			
921	Tenant services-salaries	----	----	36,735.14
923	Employee benefit contributions-tenant services	----	----	11,882.83
924	Tenant services-other	----	6,615.17	43,617.01
	Utilities			
931	Water	----	----	726,066.29
932	Electricity	----	----	325,477.03
933	Gas	----	----	234,316.07
	Ordinary maintenance and operation			
941	Ordinary maintenance and operation-labor	----	----	688,405.59
942	Ordinary maintenance and operation-materials & other	----	----	422,665.69
943	Ordinary maintenance and operation-contract costs	----	----	353,346.45
945	Employee benefit contributions-ordinary maintenance	----	----	223,590.24
	Protective services			
952	Protective services-other contract costs	----	----	481,394.09
953	Protective services-other	----	----	967.52

FLINT HOUSING COMMISSION

Flint, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2006

FDS Line Item No.		HOME Investment Partnership Program 14.239	State and Local -	Total
	General expenses			
961	Insurance premiums	-----	-----	368,439.35
962	Other general expense	-----	-----	1,915.00
963	Payments in lieu of taxes	-----	-----	11,566.98
964	Bad debts- tenant rents	-----	-----	105,146.94
969	Total operating expenses	-----	6,615.17	6,927,314.11
970	Excess (deficit) operating revenue over operating expenses	131,328.00	-----	4,425,815.55
971	Extraordinary maintenance	-----	-----	50,220.58
973	Housing assistance payments	131,328.00	-----	3,045,821.15
974	Depreciation expense	-----	-----	2,497,275.24
	Total expenses other than total operating	131,328.00	-----	5,593,316.97
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	-----	-----	(1,167,501.42)
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ -----	\$ -----	\$ (1,167,501.42)

**Report on Compliance and on Internal Control Over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
Flint Housing Commission
Flint, Michigan

We have audited the basic financial statements of the Flint Housing Commission, Michigan, (Commission) as of and for the year ended June 30, 2006, and have issued our report thereon dated February 7, 2007, which was qualified because of the weak condition of the Commission's records due to lack of controls over its accounting system and supporting documentation. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

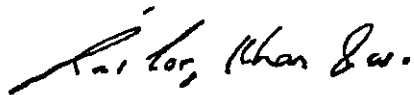
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe of the reportable conditions described above we consider findings numbers 1, 4, 5 and 6 to be material weaknesses.

This report is intended for the information of the Flint Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC
February 7, 2007

Khan & Co. LLC

**Report on Compliance with Requirements Applicable to Each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Flint Housing Commission
Flint, Michigan

Compliance

We have audited the compliance of the Flint Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Commission's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

Except for the matters noted in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

As described in finding numbers 9 and 11 in the accompanying schedule of findings and questioned costs, the Commission did not comply with requirements regarding Equipment and Real Property Management and Other Compliance Requirements that are applicable to its Public and Indian Housing - Low Rent Program and Capital Fund Program. Compliance with such requirements is necessary, in our opinion, for the Commission to comply with requirements applicable to that program.

In our opinion, except for the matters discussed in the preceding paragraph, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

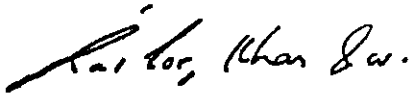
Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal program. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the Commission's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe of the reportable conditions described above we consider findings numbers 9 and 11 to be material weaknesses.

This report is intended for the information of the Flint Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC
February 7, 2007

FLINT HOUSING COMMISSION

Flint, Michigan

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2006

The prior audit report for the year ended June 30, 2005 contained a total of five audit findings:

Financial Statement Findings

1. **Finding:** Budget Overruns
 Status: Not implemented - see current finding #8
2. **Finding:** Delinquent Payment in Lieu of Taxes
 Status: Implemented.
3. **Finding:** Checks Outstanding
 Status: Implemented.
4. **Finding:** Collection Loss
 Status: Implemented.

Federal Awards Findings

5. **Finding:** Minutes Not Signed
 Status: Implemented.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2006

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	Yes
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	Yes
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program
14-850a	Public and Indian Housing
14-871	Section 8 Housing Choice Vouchers
14-872	Public and Indian Housing - Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
--	-----------

Auditee qualified as low-risk auditee?	Yes
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FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended June 30, 2006 disclosed the following Financial Statement audit findings:

1. Physical Inventory.

Criteria:

The Flint Housing Commission must verify the non-expendable equipment listing by performing a year-end physical inventory.

Condition:

No year-end physical inventory was performed for non-expendable equipment for the Capital Fund Program. Also, the CFP depreciation schedule did not agree with the general ledger.

Questioned Costs:

None

Effect:

The general ledger may not accurately reflect the actual equipment owned by the Housing Commission at fiscal year end.

Cause:

Unknown.

Recommendation:

We recommend the Housing Commission perform a physical inventory count at the fiscal year-end and ensure that the depreciation schedule and the general ledger are reconciled.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

1. Physical Inventory (Continued).

Management's Response:

Contrary to the audit finding a year-end physical inventory count was performed for non-expendable equipment for the Capital Fund program. Staff members of the Finance Dept. and Information Technology Dept. (IT) were assigned to perform an inventory count on all Computer Equipment, Vehicles, etc located at the Central Office and all housing sites. Alma Barnett and Philippe Dabaja from IT went to each site and CO office to verify office equipment was accounted for and tagged with an FHC tag. Office equipment included all computers, copiers, fax machines, etc. The staff did find items that had not previously been accounted for and added these items to the schedules and tagged them appropriately. All new purchases of copiers and other office equipment had been added to the depreciation schedules. Finance staff, Patrick Julian, Edison Henry and Karen Fairchild went to each site and the CO stockroom and garages to account for vehicles, heavy machinery and equipment and other items listed on the Depreciation schedules. All new purchases of vehicles and equipment were added to the Depreciation Schedules as necessary.

All updated Depreciation Schedules were given to John Conway from Casterline Associates to assist him with any year end adjustments needed to the appropriate General Ledger accounts. We did not verify General Ledger balances with the CFP Depreciation schedules after Casterline's services were complete. More emphasis was placed in house on verifying that all new purchases were added to the Depreciation because current staff was not familiar with the Depreciation schedules. If the general ledger balance has been balancing to the CFP depreciation schedules in past years then I question if thorough inventory counts have not been performed in the past and if prior depreciation schedules were correct or complete because the depreciation schedules that were provided to Casterline Associates by the former Fee Accountants included several items disposed of many years ago. Casterline revised the Depreciation Schedules provided to them for the June 2005 audit. In addition the threshold for non-expendable equipment was increased and an adjustment was made to account for items that fell below the threshold. Casterline had FHC staff perform inventory counts for major items existing on the depreciation schedules. Time restrictions did not allow for a thorough inventory count of all items on the Depreciation Schedules. Current staff did not have the responsibility to track this information and FHC did not have a Finance Director when Casterline Associates was brought in to assist the agency through June 2005 year end. From June 2005 through June 2006 no emphasis was placed on these particular General Ledger accounts balancing with the CFP schedules. Casterline Associates did all year end adjustments for June 2006 based on information provided to them and we did not verify if the supporting scheduled agreed with the General Ledger.

Action Plan:

The Finance staff, Finance Director – Sylvia Campbell, General Ledger Assistant - Karen Fairchild, Inventory Control staff - Patrick Julian and Edison Henry will immediately perform an extensive inventory count throughout the agency to determine the correctness of the Depreciation Schedules. By June 2007 the Finance Director and General Ledger Assistant Karen Fairchild will ensure that the Depreciation Schedules and general ledger are reconciled. Teresa Richardson the Grant Administrator and department supervisor will work more closely with Karen Fairchild and Sylvia Campbell to ensure new purchases of non-expendable equipment are added appropriately to the Depreciation Schedules and Karen Fairchild has the responsibility of balances the General Ledger accounts at month end.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2. Proper Control and Access to Cash.

Criteria:

The Housing Commission must ensure proper internal controls to safeguard its cash .

Condition:

Upon review of the Housing Commission's bank reconciliation we noted a \$500 amount shown as owed to the Commission. This amount represented theft of Section-8 funds by an outside party.

Questioned Costs:

None

Effect:

The Housing Commission may not recover the \$500 and is exposed to the risk of potential loss of its assets.

Cause:

Appropriate supervision was not in place to restrict outside parties access to the Housing Commission's checking account.

Recommendation:

The Housing Commission must appoint specific people who have access to purchase checks when needed. In addition the monthly bank reconciliations must be done monthly to detect any unauthorized activity.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2. Proper Control and Access to Cash (Continued).

Management's Response:

Although the auditor's opinion is that the appropriate supervision was not in place to restrict outside parties access to FHC's checking account, I argue that FHC had no prior reason to believe that any additional security measures were necessary. In fact, I argue that most businesses or even individuals do have the security measures we now have had to place on our bank accounts due to potential loss. In addition, bank reconciliations are done monthly and have been since June 2005 by Karen Fairchild which is how the activity was discovered.

What occurred was a HCV's landlord's son called Deluxe Printing and ordered a series of FHC checks and had them delivered to a "residential" address and the cost of the checks were charged to the landlords checking account. The person that committed this crime was writing checks to other individuals and forging the Executive Director's signature. Because we have "Positive Pay" protection on our accounts none of the checks written were paid by our bank. Positive Pay is a security measure we already had on this account that blocks all checks from clearing our account if it has not included on a file we send to the bank electronically immediately after any check run. However Positive Pay did not cover items posting as Debit transactions such as telephone payments, on-line transactions etc.

Action Plan:

Once the problem was identified I placed a "Debit Block" feature on all bank accounts. The "Debit Block" is an additional feature that blocks all other transactions from clearing our accounts without prior notification from the Finance Department. Our bank representative worked closely with us once this activity was discovered because people were going to convenient stores, other banks, cash advance businesses and trying to cash checks drawn on our HCV account. The Positive Pay process requires check verification prior to cashing and we were quick to recognize that checks were being presented that was not in our current sequence of checks. The bank contacts the Finance Dept for all checks presented that are not included on our electronic file. The bank representative discovered that checks had been ordered directly from Deluxe by an "unknown" individual and sent to his house. I immediately placed a fraud alert on our accounts at Deluxe and expressed by concern that this transaction was even allowed. In fact, Deluxe and any other printing companies will take orders and send checks to any location if "security" measures are not in place. There is now a fraud alert on our accounts at Chase Bank and Deluxe Printing. Deluxe records reflect the fraud alert and are not allowed to place orders of checking supplies from anyone other than the Finance Director and Teresa Richardson and that all orders must be shipped directly to the Finance Department. Currently Sylvia Campbell and Teresa Richardson are listed as the only people that can order checking supplies. Once a permanent Director is in place the fraud alert will be changed to have the Finance Director and Executive Director as authorized staff to place orders. We have not had this problem since the "security measures" were increased. In fact due to our immediate response the police became involved and the person was caught and prosecuted. I consider this matter resolved because bank reconciliations are completed monthly on all FHC bank accounts.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

3. Bank Reconciliation.

Criteria:

The Housing Commission must prepare accurate monthly bank reconciliations.

Condition:

Upon review of the Housing Commission's bank reconciliation we noted numerous checks had been voided with the bank, but not reflected in the general ledger.

Questioned Costs:

None

Effect:

The book balance of cash was not accurately presented.

Cause:

Appropriate supervision was not in place to ensure checks were accounted for properly.

Recommendation:

We recommend the Housing Commission review its bank reconciliations monthly for accuracy.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

3. Bank Reconciliation (Continued).

Management's Response:

Contrary to the audit finding Bank Reconciliations have been prepared accurately and monthly since June 2005. The problem created was due to the procedure that Casterline Associates used to balance the HCV account. Problem being that because HCV had a long list of outstanding checks (see prior audit findings) the consultant cleared checks by dollar amount and not by check number because there were so many checks outstanding that were issued for the same amount. The problem this created was two-fold in that (1) checks were clearing that had been previously cleared as of June 2005 and (2) outstanding checks that were really old that were voided were still being presented and paid by the bank because we did not void the right checks. We voided the checks that the Consultant said needed to be voided per their analysis and reconciliation. There was no reason to question the process at that time. The audit finding does not reflect a dollar value that will represent how material or immaterial this finding is. Cash has not been grossly misrepresented.

Action Plan:

Bank reconciliations are performed monthly by Karen Fairchild and have been continuously. Effective immediately with March 2007 bank reconciliation, the Finance Director will review bank reconciliations monthly for accuracy and will sign the bank reconciliation as the final process to ensure that cash is accurately presented.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

4. Tenant Accounts Receivable Subsidiary Ledger

Criteria:

Maintaining an accurate sub-ledger allows for accurate reporting of balances in the general ledger.

Condition:

The tenant subsidiary ledger did not agree with the general ledger.

Questioned Costs:

None

Effect:

The balances of tenant accounts receivable, tenant prepaid rent, and security deposits may be incorrect because there is no reconciliation performed between the subsidiary and general ledger.

Cause:

Unknown

Recommendation:

We recommend the subsidiary ledgers be adequately maintained and reconciled with the general ledger monthly.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

4. Tenant Accounts Receivable Subsidiary Ledger (Continued).

Management's Response:

Although I recognize the need for the subsidiary ledgers be adequately maintained and reconciled with the general ledger monthly and the subsidiary ledgers were balanced and reconciled at June 2005 I recognized an even bigger problem with the General Ledger. Although the subsidiary ledgers balanced to the General Ledger I did not believe the subsidiary ledgers or the general ledgers reflected reliable data. There appeared to be set-up problems within Emphasys Software, and when tenant ledgers were analyzed on an individual basis it was obvious that end of day postings while presenting a balanced state the general ledgers and subsidiary ledgers were inaccurate. This problem was due to a combination of problems with set-ups, adjustment slips, internal processes and year end adjustments required to reconcile. For example, security deposits general ledger when analyzed individually did not accurately represent the actual security deposits reserved for actual units occupied. This was due to internal accounting procedures and set-up errors that did not properly assign the correct general ledger account numbers in the move-in and move-outs processes through the GL coding of checks issued for security deposit refunds. My feeling is that just because you have a reconciled general ledger balance does not mean you have reliable data. I was convinced the data was unreliable. Although Casterline Associates had general ledger analysis within the scope of services and the time allowed, I asked that the scope of services be revised to exclude those services to allow the Finance Department to move forward and examine the integrity of all balances. Since December 2005 a change in job responsibilities was given to Karen Fairchild. Emphasis was placed on analyzing tenant ledger balances for accuracy, working with Information Tech Dept and Emphasys technical support to address set-up problems that are affecting the TAR, Prepaid Rents and Security Deposit general ledger balances. This has been an on-going process and goal is to have the subsidiary ledgers reconciled with the general ledger monthly by Karen Fairchild.

Action Plan:

We have made the necessary adjustments to the set-ups for postings and Karen Fairchild is now reconciling to the general ledger. Effective immediately March 2007 month end we have implemented an internal process that consists of completing a General Ledger Reconciliation Form that reflects Beginning and Ending Balances of General Ledger accounts with supporting documentation attached. The reconciled accounts will be maintained in a central location within the Finance Department. Reconciliation forms will be signed by the Finance Director after review.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

5. Account Balances

Criteria:

Account balances should be adequately supported.

Condition:

We noted the following account balances were not supported.

- Low Rent Program - Accounts Payable Vendors \$580,197.86 was lacking a supporting schedule for the entire amount.
- Low Rent Program - Payroll Deductions and Contributions \$13,905.19 could not be identified

Questioned Costs:

None

Effect:

The integrity of the financial information could be adversely affected..

Cause:

Management has not adequately devoted its efforts to ensuring the accuracy of the financial statements in a comprehensive manner.

Recommendation:

We recommend the aforementioned items be resolved.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

5. Account Balances (Continued)

Management's Response:

Contrary to the audit finding that Management has not adequately devoted their efforts to ensure the accuracy of their financial statements in a comprehensive manner, I argue the exact opposite is true. However I intentionally focused on Cash accounts and Income and Expense accounts for several reasons.

1. The importance of needing to know the exact amount of Cash balances to monitor cash flow.
2. In preparation of the first timeline issued by HUD to be compliant with Asset Based Management that we were required to be able to produce site based income statements by January 2007.

I have consistently stated in the Finance Reports for the Board of Commissioners and to the Interim Executive Directors and Information Tech (IT) that I am not confident with financial reports generated by Emphasys due to set-up issues and a long history of using outside Fee Accountants, and the turnover of Finance Directors with varying degrees of experience.

The General Ledger Assistant, myself, and other individuals when relevant have spent immeasurable hours analyzing, correcting set-ups, practically re-constructing the general ledger Chart of Accounts. The Chart of Accounts has been compared account by account with HUD Chart of Accounts and HUD Finance Guidance that has been issued for site based management. This has been a work in process and we are now producing Income Statements by site that consist of credible data. We have all worked together not just within the Finance Department but have changed many procedures that allow us to control the integrity of data being entered into Emphasys. For example: Karen Fairchild the General Ledger assistant is coding all Purchase Orders and Accounts Payables. The procedure is instrumental in producing reliable Income Statements.

The account balances referred to in the audit finding goes back to June 2004 and June 2005. Support was provided for the ending balances that reflected entries we made for June 2006. However, the Beginning Balances as of July 2005 were not resolved because I specifically asked Karen Fairchild to focus on Cash, Income and Expense accounts because there were too many things wrong with the General Ledger accounts and I wanted to focus on producing Income Statements. In fact, Balance Sheets have not been provided for this very reason. We were spending our time analyzing and correcting Tenant Ledgers, Tenant Accounts Receivables, Security Deposits, and other general ledger accounts and processes that directly affect the income statements.

The problem with the Beginning Balancees in Accounts Payable Vendors and Payroll Deductions were due to adjusting entries prior this fiscal period.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

5. Account Balances (Continued)

Action Plan:

The balance discrepancies were resolved during the February audit and the March 2007 General Ledger Reconciliations will reflect the correct balances. Karen Fairchild is the General Ledger Assistant and is responsible for General Ledger reconciliation. Other staff where relevant are being cross-trained and all Finance staff are involved in implementing necessary controls. Effective immediately March 2007 month end we have implemented an internal process that consists of completing a General Ledger Reconciliation Form that reflects Beginning and Ending Balances of General Ledger accounts with supporting documentation attached. The reconciled accounts will be maintained in a central location within the Finance Department. Reconciliation forms will be signed by the Finance Director after review. This will ensure Financial Statements are accurate in a comprehensive manner.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

6. General Ledger

Criteria:

The Housing Commission should take steps necessary to ensure the accuracy and completeness of financial statements.

Condition:

The general ledger was not properly maintained. In several instances we noted accounts contained incorrect balances and required numerous adjusting entries to reflect actual balances at year end. Also, we noted that beginning balances for the current fiscal year did not agree with the prior year ending balances and in certain instances the amount reported to REAC on the unaudited submission was not in agreement with the general ledger.

Questioned Costs:

None

Effect:

The Housing Commission's financial statements before any adjusting entries contained numerous errors.

Cause:

Numerous transactions were incorrectly recorded by the Housing Commission. The Housing Commission did not exercise adequate control over the general ledger and reporting function.

Recommendation:

We recommend that the Housing Commission exercise more care in processing and recording transactions to ensure the integrity of its financial system.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

6. General Ledger (Continued)

Management's Response:

This audit finding warrants a review of past audit findings. Many General Ledger balances that were in question have questionable balances at year end 2004 and 2005. Casterline Associates made adjusting entries to tie Beginning Balances to the June 2004 audit. The auditors made adjustments to Casterline adjustments for June 2005, somewhere in there are adjustments made by Fee Accountants and unfortunately we got caught in the middle. This is one of the main reasons I've been questioning the integrity of the data. No one currently on staff had any responsibilities working with the general ledger with past Financial Directors and no internal controls existed. Numerous adjusting entries were made as stated in the finding, however the auditors are aware that many of the adjustments were made by Casterline Associates within their scope of services. The auditor also stated through conversation that we should not allow any adjustments without our approval. However, FHC was without a Finance Director when Casterline Associates services were procured and I was not in a position to question audit adjustments at June 2005 and had to rely on their expertise. Casterline was brought in again for June 2006 because of the degree of work that had performed on the Asset and Liability accounts and to submit the unaudited submission for FASS since they were more familiar with what they had done for June 2005 and had also completed the June 2005 unaudited submission.

Action Plan:

Other staff where relevant are being cross-trained and all Finance staff are involved in implementing necessary controls to ensure the completeness of financial reporting. Effective immediately March 2007 month end we have implemented an internal process that consists of completing a General Ledger Reconciliation Form that reflects Beginning and Ending Balances of General Ledger accounts with supporting documentation attached. The reconciled accounts will be maintained in a central location within the Finance Department. Reconciliation forms will be signed by the Finance Director after review. This will ensure Financial Statements are accurate in a comprehensive manner. All General Ledger accounts will be balanced at month end. Most accounts will be balanced by Karen Fairchild. Some accounts will be balanced by Sylvia Campbell, Teresa Richardson and Paulette Wazny – Payroll. We are currently identifying which accounts will be assigned to who. Karen Fairchild will maintain the reconciled accounts and ensure all accounts have reconciled monthly. This is effective March 2007 reporting.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

7. Excessive Audit Adjustments

Criteria:

The Public Housing Commission should take steps necessary to ensure the accuracy and completeness of financial statements.

Condition:

We noted this audit required a significant number of adjusting journal entries. These entries were necessary because numerous unadjusted general ledger accounts were incorrect.

Questioned Costs:

None

Effect:

The PHA's financial statements before any adjusting entries contained numerous errors.

Cause:

Numerous transactions were incorrectly recorded by the Housing Commission.

Recommendation:

We recommend the Housing Commission exercise more care in processing and recording transactions and that more care be taken to ensure the completeness of financial reporting.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

7. Excessive Audit Adjustments (Continued)

Management's Response:

This audit finding warrants a review of past audit findings. Many General Ledger balances that were in question have questionable balances at year end 2004 and 2005. Casterline Associates made adjusting entries to tie Beginning Balances to the June 2004 audit. The auditors made adjustments to Casterline adjustments for June 2005, somewhere in there are adjustments made by Fee Accountants and unfortunately we got caught in the middle. This is one of the main reasons I've been questioning the integrity of the data. No one currently on staff had any responsibilities working with the general ledger with past Financial Directors and no internal controls existed. Numerous adjusting entries were made as stated in the finding, however the auditors are aware that many of the adjustments were made by Casterline Associates within their scope of services. The auditor also stated through conversation that we should not allow any adjustments without our approval. However, FHC was without a Finance Director when Casterline Associates services were procured and I was not in a position to question audit adjustments at June 2005 and had to rely on their expertise. Casterline was brought in again for June 2006 because of the degree of work that had performed on the Asset and Liability accounts and to submit the unaudited submission for FASS since they were more familiar with what they had done for June 2005 and had also completed the June 2005 unaudited submission.

Action Plan:

Other staff where relevant are being cross-trained and all Finance staff are involved in implementing necessary controls to ensure the completeness of financial reporting. Effective immediately March 2007 month end we have implemented an internal process that consists of completing a General Ledger Reconciliation Form that reflects Beginning and Ending Balances of General Ledger accounts with supporting documentation attached. The reconciled accounts will be maintained in a central location within the Finance Department. Reconciliation forms will be signed by the Finance Director after review. This will ensure Financial Statements are accurate in a comprehensive manner. All General Ledger accounts will be balanced at month end. Most accounts will be balanced by Karen Fairchild. Some accounts will be balanced by Sylvia Campbell, Teresa Richardson and Paulette Wazny – Payroll. We are currently identifying which accounts will be assigned to who. Karen Fairchild will maintain the reconciled accounts and ensure all accounts have reconciled monthly. This is effective March 2007 reporting.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

8. Budget Overruns

Criteria:

The Housing Commission must operate within budget constraints.

Condition:

We noted the following budget overruns for fiscal year ending June 30, 2006:

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Overruns</u>
Administrative	\$ 1,628,455.00	\$ 1,778,474.45	\$ 150,019.45
Protective Services	----	22,572.83	22,572.83

Questioned Costs:

None

Effect:

The Housing Commission exceeded the operating budget in the aforementioned categories.

Cause:

The Housing Commission did not ensure that these budget categories were not exceeded.

Recommendation:

We recommend that the Housing Commission place greater emphasis on operating within the budget constraints. Also, when it appears that the current budget has become insufficient, the Housing Commission must prepare a budget revision.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

8. Budget Overruns (Continued).

Management's Response:

The budget overrun in Administrative is due to Legal settlement and an increase in legal fees cause by actions out of my control from in the last quarter of the fiscal period. An increase in Security services was necessary to address increased drug and crime activity in June 2006. The budget revision was not done inexcusably but with the explanation that spending was out of control and with no level of accountability and without proper internal control on authorizations. Instead of doing a Budget Revision to cover the overspending I focused on controlling the spending and implementing the necessary controls to counter act the problem. I was requested to do a Budget Revisions for June 2006 in July 2005 upon my arrival and was in no way qualified to do a revision not being familiar with the needs of the agency and immediately was able to identify problems causing overruns and addressed them accordingly. In comparison to the 2005 Audit, the strategy worked. .

Action Plan:

A budget was eompleted after the Operating Subsidy was prepared for June 2007 and is being monitor on a regular basis. The then Interim Executive Director suggested waiting for the permanent Executive Director that could want major changes in our day-to-day operations to get guidance on what operating changes were going to be made with staff etc.. in preparation of asset based management. A budget to actual comparison has been reviewed with the current Interim Executive Director and past Interim Executive Director to ensure we are operating within the budget constraints.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended June 30, 2006 disclosed the following Federal Awards audit findings:

9. Physical Inventory (Same as Finding #1)

Federal Award:

14.872 - Capital Fund Program

Criteria:

The Flint Housing Commission must verify the non-expendable equipment listing by performing a year-end physical inventory.

Condition:

No year-end physical inventory was performed for non-expendable equipment for the Capital Fund Program. Also, the CFP depreciation schedule did not agree with the general ledger.

Questioned Costs:

None

Effect:

The general ledger may not accurately reflect the actual equipment owned by the Housing Commission at fiscal year end.

Cause:

Unknown.

Recommendation:

We recommend the Housing Commission perform a physical inventory count at the fiscal year-end and ensure that the depreciation schedule and the general ledger are reconciled.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

9. Physical Inventory (Same as Finding #1) (Continued)

Management's Response:

Contrary to the audit finding a year-end physical inventory count was performed for non-expendable equipment for the Capital Fund program. Staff members of the Finance Dept. and Information Technology Dept. (IT) were assigned to perform an inventory count on all Computer Equipment, Vehicles, etc located at the Central Office and all housing sites. Alma Barnett and Philippe Dabaja from IT went to each site and CO office to verify office equipment was accounted for and tagged with an FHC tag. Office equipment included all computers, copiers, fax machines, etc. The staff did find items that had not previously been accounted for and added these items to the schedules and tagged them appropriately. All new purchases of copiers and other office equipment had been added to the depreciation schedules. Finance staff, Patrick Julian, Edison Henry and Karen Fairchild went to each site and the CO stockroom and garages to account for vehicles, heavy machinery and equipment and other items listed on the Depreciation schedules. All new purchases of vehicles and equipment were added to the Depreciation Schedules as necessary.

All updated Depreciation Schedules were given to John Conway from Casterline Associates to assist him with any year end adjustments needed to the appropriate General Ledger accounts. We did not verify General Ledger balances with the CFP Depreciation schedules after Casterline's services were complete. More emphasis was placed in house on verifying that all new purchases were added to the Depreciation because current staff was not familiar with the Depreciation schedules. If the general ledger balance has been balancing to the CFP depreciation schedules in past years then I question if thorough inventory counts have not been performed in the past and if prior depreciation schedules were correct or complete because the depreciation schedules that were provided to Casterline Associates by the former Fee Accountants included several items disposed of many years ago. Casterline revised the Depreciation Schedules provided to them for the June 2005 audit. In addition the threshold for non-expendable equipment was increased and an adjustment was made to account for items that fell below the threshold. Casterline had FHC staff perform inventory counts for major items existing on the depreciation schedules. Time restrictions did not allow for a thorough inventory count of all items on the Depreciation Schedules. Current staff did not have the responsibility to track this information and FHC did not have a Finance Director when Casterline Associates was brought in to assist the agency through June 2005 year end. From June 2005 through June 2006 no emphasis was placed on these particular General Ledger accounts balancing with the CFP schedules. Casterline Associates did all year end adjustments for June 2006 based on information provided to them and we did not verify if the supporting scheduled agreed with the General Ledger.

Action Plan:

The Finance staff, Finance Director – Sylvia Campbell, General Ledger Assistant - Karen Fairchild, Inventory Control staff - Patrick Julian and Edison Henry will immediately perform an extensive inventory count throughout the agency to determine the correctness of the Depreciation Schedules. By June 2007 the Finance Director and General Ledger Assistant Karen Fairchild will ensure that the Depreciation Schedules and general ledger are reconciled. Teresa Richardson the Grant Administrator and department supervisor will work more closely with Karen Fairchild and Sylvia Campbell to ensure new purchases of non-expendable equipment are added appropriately to the Depreciation Schedules and Karen Fairchild has the responsibility of balances the General Ledger accounts at month end.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

10. Tenant Files

Federal Award:

14.850a - Public and Indian Housing - Low Rent Program

Criteria:

HUD guidelines on tenant file documentation and maintenance must be followed.

Condition:

During our test of tenant files, we noted tenant files lacking the following necessary documents:

- Signed PHA Certificate
- Signed Tenant/Applicant Certification
- Signed Release Forms
- Third party income verification

Questioned Costs:

None

Effect:

Tenant files are incomplete.

Cause:

Lack of supervisory review of site managers files.

Recommendation:

We recommend the Public Housing Commission ensure all tenant files contain the aforementioned forms.

Management's Response:

The site managers are responsible maintenance of the tenant files and file documentation. The Managers use a check off list of all necessary documents as a guide to ensure that all tenant file contain required forms.

Action Plan:

The Interim Executive Director, John Carpenter discussed the finding with the Department Managers. Disciplinary action will follow upon unannounced internal audit of files if tenant files are not maintained properly.

FLINT HOUSING COMMISSION

Flint, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2006

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

11. Unlocated information

Federal Award:

14.850a - Public and Indian Housing - Low Rent Program

14.872 - Capital Fund Program

Criteria:

Requested information should be readily available for audit examination.

Condition:

We noted that the Housing Commission could not locate a significant portion of documents needed to complete the audit of the FY 2006 PHAS Submission.

Questioned Costs:

None

Effect:

We were unable to validate the accuracy of PHAS Submission.

Cause:

Adequate attention was not devoted to maintaining supporting documentation for the 2006 PHAS Submission.

Recommendation:

We recommend the Housing Commission place greater emphasis in safe keeping its records.

Management's Response:

This audit finding is easily avoided by identifying the person responsible for inputting the Submission and requiring all supporting documentation to be provided prior to input.

Action Plan:

The Finance Director, Sylvia Campbell will input the 2007 PHAS Submission and will require that all supporting documentation is received from each Department Manager that tracks the various components of the Indicators of PHAS. Supporting documentation will be compiled and kept in a single location to be provided to the auditor during the audit examination.